

## REVIEW

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***America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, and Our Democracy.*** BY GAR ALPEROVITZ.  
*Hoboken, NJ: John Wiley. Cloth, \$24.95. 336 pages.*

Robin Blackburn

Gar Alperovitz, a noted historian of public policy, here turns his attention to analyzing the forces that have transformed the social and economic landscape over the last generation and to elaborating the new policies that offer a truly progressive solution to fiscal crisis, galloping inequality, and anger at the Washington elite. As the Bush administration girds itself for an assault on social security and progressive taxation, this is a very timely and important book. Alperovitz is not afraid to present a bold and uncompromising vision. While the emphasis is upon political economy and policy, the author is far from unaware of the ways in which cultural conservatism, social frustration, a rampant commercial culture, and laissez-faire can form a reactionary amalgam. Indeed, it is his awareness that this complex has been fed by the impasse of inherited progressive strategies that leads him to propose a bold new approach that stresses the need to construct what

he calls a "Pluralist Commonwealth," obliging corporations to become good citizens, redistributing assets as well as income, fostering decentralization, and encouraging the growth of a network of accountable local economic agencies.

The first eighty pages of Alperovitz's book survey the manifold problems of the U.S. social order at the beginning of the twenty-first century, problems likely to be greatly exacerbated by a second Bush administration but which did not stem solely from Republicans in Congress or the White House. The financial system is wasteful and ill adapted to the needs of social insurance. Government itself is overcentralized and insensitive to local needs and possibilities. High incarceration rates reflect a legal order that criminalizes more conduct than any non-Muslim country. The United States is a country where the top 1 percent of income earners (1.3 million people) now garner more in-

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come each year than the bottom 100 million combined. Whereas in 1973 the top 1 percent received 8.4 percent of all household income, by 2001 that proportion had risen to 19.6 percent. It is staggering under mountainous deficits and has allowed several million good jobs at its most productive enterprises to be destroyed.

While Alperovitz conveys a sharp critique of the failings of the U.S. model of capitalism, his book is focused strongly on the search for remedial policies and institutions. He devotes over 200 pages to exploring an alternative strategy that would combat inequality, insecurity, and lack of opportunity. He does not offer a magic bullet but instead identifies a host of promising possibilities, and countertrends to the dominant order, that might be combined and developed in the "Pluralist Commonwealth," endowing communities and employees with revenue-generating assets.

Alperovitz defends the progressive income tax but argues that simply restoring some of Bush's tax cuts will neither stop the growing economic polarization nor meet the scale of needed social expenditure. The existing fiscal regime is riddled with exemptions and loopholes. The financial services industry is the main beneficiary of tax relief on savings products that, at around \$100 billion a year, total around five times the amount of the farm budget. After pointing out that corporate taxation has dropped from supplying 35.4 percent of federal revenues in 1947

to only 7.4 percent in 2003, Alperovitz considers more than a dozen proposals for fostering a dynamic local public sector, endowing public agencies with ownership of income-generating assets and boosting the tax take.

He points out that the public ownership of assets, or the operation of public facilities such as port authorities, already yields useful revenues in the United States today. For example: "In Newark, New Jersey, a nonprofit neighborhood corporation employs two thousand people to build and manage housing, and help run a super-market and other businesses that funnel profits back into health care, job creation, education and other community services" (p. 100). He also points out that public-sector retirement funds have proved to be far more successful stewards of pension money than most of the commercial providers. Some have devoted a part of their resources to meeting local social infrastructure needs. In California the state employees' pension fund, the famous CalPERS, has a stake in many large and small businesses and has used its investments to contribute to social goals, to promote improved corporate governance, and to diversify the local economy.

It is sometimes argued that globalization renders progressive taxation and regulation impossible. Alperovitz cites evidence of the growing weight of local economic activity in the modern economy, potentially giving greater leverage to local and municipal authorities.

While local exchanges comprised about 42 percent of economic activity in 1940, they rose to 52 percent in 1980 and reached 60 percent by 1992. Such activities were deemed to include retail, personal, repair, medical, educational, and professional services, as well as construction, local transportation, public utilities, real estate, and government services. While globalization has impelled the restructuring of large corporations, there is a thick undergrowth of smaller businesses and partnerships that is much less affected. If these are carefully nurtured—and protected from the bullying tactics of large corporations—the local economy can help to sustain social expenditures. All local authorities sponsor huge investments in infrastructure; by retaining an ownership stake, they can ensure ongoing revenues, as Miami has done with the Metro-Dade Transit system.

The large corporations still seem to have an exit option vis-à-vis municipal authorities that local service providers do not possess. They can move if they do not like their regulations. But corporations are still vulnerable to reputational damage, and often need to maintain market access to the locality. A new system of federal levies on the corporations is both feasible and justified because they owe their legal immunities and privileges to the framework of public law, and because they are the beneficiaries of much public spending on education, health, and transport. Alperovitz cites research to show that much corporate growth and profit

stems from the common inheritance of past technological gains. Likewise, commercial organizations appropriate the fruits of public research expenditure while paying little or nothing for it.

In the Pluralist Commonwealth, those who own corporations would no longer enjoy a free lunch. If they claim tax relief, or receive subsidies or loans on easy terms, or benefit from other public facilities, they would have to issue equity or options to the public authorities who help them. Alperovitz cites as a precedent and example the recent airline bailout, in which the Bush administration demanded a ten-year option to purchase a third of America West's stock at \$3 per share in exchange for federal guarantees that secured a \$439 million loan. He also cites the arrangement whereby the Federal Deposit Insurance Corporation (FDIC) acquired a controlling stake in the Continental Illinois Bank in 1984 as part of an \$8 billion bailout. If the financial services industry and corporate contributors had to pledge a portion of equity as the price of claiming tax relief, it could add premium stock to public trust funds.

The Pluralist Commonwealth retains much of the market economy but progressively endows local state authorities with a revenue-generating stake in the corporate economy. While Alperovitz focuses on the need to decentralize and democratize decisions about the allocation of economic resources, he knows that federal or national legislation would

be needed to achieve this change. Just as rents from public lands supported education in the past, so fees for the use of the airwaves could today. Alperovitz urges that companies be obliged to issue new shares to foster employee share ownership as well as to enable the buildup of regional trust funds for infrastructural development and social insurance. While this requirement would have distributional effects, it would, he argues, also feed into a democratization of economic power.

At several points Alperovitz's argument has echoes of the critique of the new Gilded Age made by writers like Paul Krugman and Will Hutton, but he is more focused on exploring alternatives, and far readier than they to propose measures that democratize and redistribute corporate wealth, such as an annual share levy to endow social trust funds.

While Alperovitz still seems to envisage a continuing role for the progressive income tax, he also sees scope for a progressive consumption tax, to be achieved by allowing an equal and sizable tax-free annual expenditure threshold, to be followed by a rising rate on expenditure at increasing levels. The purpose would be to curb consumerist excess and to enhance sustainability, as well as to raise revenue.

*America Beyond Capitalism* outlines

the need for dramatic innovations in fiscal policy and economic structure—Alperovitz's "commonwealth" really is a common wealth, drawing on some of the meaning given to that term by the early settlers of Massachusetts, in order to reform the workings of public and private finance today in Boston (and New York). The book is powerfully written and well researched. Although quite eclectic in its conclusions, and avowedly populist in intent, it is animated by a vision of a democratic and egalitarian political economy that is badly needed. Alperovitz explains why he believes that his package could build public support and respond to the frustration of those who are being left behind or denied a secure future. Some of the author's suggestions are likely to prove impractical or will need to be further refined and harmonized. But overall he offers a far more realistic and achievable perspective than the cruelly deceptive Republican promise of an "ownership society" embracing every citizen. And, unlike the tepid managerialism of recent Democratic contenders, the proposed package of measures also addresses the scale of a mounting fiscal deficit that will either devastate social provision or provoke the emergence of a progressive coalition around a new ideal of the commonwealth.

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